



Life-cycle patterns in male/female differences in job search

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ABSTRACT

We investigate whether women search longer for a job than men and whether these differences change over the life cycle. Our empirical analysis exploits German register data on highly attached displaced workers. We apply duration models to analyze gender differences in job search taking into account observed and unobserved worker heterogeneity and censoring. Simple survival functions show that displaced women take longer to find a new job than comparable men. Disaggregation by age groups reveals that these differences are driven by differential behavior of women in their prime-childbearing years. There is no significant difference in job search duration among the very young and older workers. These differential outcomes remain even after we control for differences in human capital and when unobserved heterogeneity is incorporated into the model.

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1. Introduction

One of the persistent questions in economics is whether the differences in wages between men and women reflect observed differences in productivity, unobserved differences in productivity, or discrimination. One possible difference between men and women that has received relatively little attention is differences in job search and job mobility. Previous work has found that mobility among young workers is an important source of wage growth (Topel and Ward, 1992; von Wachter and Bender, 2006); however, evidence for the U.S. and Germany suggests that young women change jobs less often than men and experience smaller gains in wages when they do switch jobs (Loprest, 1992; Fitzenberger and Kunze, 2005). Unfortunately, these findings are difficult to interpret because job movers are a select sample of workers, where the selection is often based on worker characteristics that are unobservable to the econometrician but are correlated with outcomes (for a discussion see e.g. von Wachter and Bender, 2006).

In order to address some of the limitation with the previous research, in this paper we examine gender differences in the duration of job search and subsequent wages focusing on workers searching for a job following displacement due to a plant closing. Ideally, in

order to examine gender differences in job search, we would like to have data on a random sample of workers who unexpectedly lost their job. Assuming that a plant closing is independent of the behavior of workers; then our data will come closer to the ideal data than data including workers who chose to switch jobs.¹

As an extension to the previous literature we also will examine whether gender differences in search vary over the life-cycle. While there has been some theoretical work predicting differences in search behavior between men and women related to productivity differences or discrimination (e.g. Black, 1995; Bowlus and Eckstein, 2002), little attention has been paid to life-cycle variation in the search behavior of men and women. From the limited empirical evidence so far on gender differences in job search it is not clear whether differences exist across age groups. One intuitive reason why one may expect gender differences to vary with age is related to the comparative advantage of child bearing of women, which may generate life-cycle patterns in gender differences in job search.²

In our empirical analysis, we exploit administrative panel data drawn from the German social security insurance program. We follow displaced workers until they either obtain a new job or our data end. The data cover the period from 1975 through 2001. Our use of longi-

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¹ Factors that could invalidate this assumption include workers receiving advanced warning of a plant closure. We discuss this issue more thoroughly below.

² Following theory a usual assumption is that women have a comparative advantage in child bearing that is constant. Empirically the advantage varies with age.

tudinal administrative data ensures that we have an accurate measure of the length of displacement for all workers. In addition, since we use administrative panel data where spell length is measured directly from the receipt of unemployment benefits we avoid some of the problems with previous studies that have relied on cross-sectional data – e.g. not knowing the length of time a worker searches, or having search length self-reported by the worker several periods after the time of displacement. Since our data contain a large sample of workers age 20–60, we are able to examine how gender differences in search vary over the life cycle.

By applying duration models to analyze gender differences in job search taking into account observed and unobserved worker heterogeneity and censoring this study contributes new evidence on displaced workers in a European country to a literature that has been primarily shaped by studies on male displaced workers in the U.S.³ In addition, as far as we are aware, ours is the only study to examine the job search behavior of European women who have been displaced and to compare the behavior of men and women using European data.⁴ Finally, this study contributes to our understanding of the role that job mobility plays in producing the observed gender differences in labor market outcomes.

Our empirical results show that women do experience longer spells of displacement and a larger drop in wages after displacement than men. However, when we examine these differences over the life cycle we find that the differences in job search are concentrated among workers age 24 to 35, which are prime child bearing and child rearing ages for women. Among younger and older workers we find that men and women exhibit similar lengths of displacement and similar changes in wages. While not conclusive, these results do suggest that differences in job search and mobility are related to fertility decision. More particularly, a plausible interpretation is that the presence of young children reduces displaced women's job search intensity, though our data do not allow us to measure either search intensity or the presence of children directly. Alternatively, it might be that the presence of young children causes women to increase their reservation wages.

The remainder of the paper is as follows. In the next section we review the related work on displacement and job search. In [Section 3](#) we describe our data and present some summary statistics. In [Section 4](#) we present our empirical results on displacement durations and in [Section 5](#) on wages. In [Section 6](#) we discuss our results and present our conclusion.

2. Previous work examining male–female differences in job search

The basic theoretical arguments that have been offered to explain why women may search longer for a new job and receive lower wages operate through two main channels: differences in productivity and employer discrimination. One example is [Bowlus \(1997\)](#) who estimates a search model that allows for productivity differences between men and women, but does not explicitly allow for discriminatory behavior by firms. Another example is [Black \(1995\)](#) who shows that, if there exists discriminatory employers in the market, women will receive lower wages than men but the impact on the duration of search is ambiguous. Finally, the equilibrium search model of [Bowlus and Eckstein \(2002\)](#) allows for both productivity differences between men and women as well as discriminatory employers. In this model firms search over male and female workers but some fraction of employers are prejudiced against women; that is some firms experience a loss in utility from hiring women. Additionally, it is assumed that firms search less intensively for workers if they are less productive, and prejudiced firms also search less intensively for women even if they are as productive as men.⁵ Under

these conditions Bowlus and Eckstein show that women will be unemployed longer than men, even if they are as productive as men. They also show that wages will be lower for women because, in the presence of some prejudiced firms, in equilibrium all firms can exert monopsony power and hence offer all women relatively lower wages.⁶

Most previous empirical studies of displaced workers have focused on men or have pooled data for men and women. Simple comparisons of mean durations of displacement suggest that women take longer than men to find a new job after displacement ([Podgursky and Swaim, 1987](#); [Farber, 1997](#); [Abbring et al., 2002](#); [Kletzer and Fairlie, 2003](#); [Hu and Taber, 2008](#)). [Hu and Taber \(2011\)](#) find that women are displaced for a longer period than men after plant closure. With the exception of [Hu and Taber \(2008\)](#), none of these studies has analyzed in detail the gender differences in displacement durations.⁷ One limitation of the previous empirical work which focuses on mean differences is that simple comparisons of mean duration among displaced workers can be misleading because durations are subject to censoring and are affected by worker heterogeneity.

The few studies that have examined gender differences in post-displacement wage outcomes have found mixed results. Early studies found that women experience larger wage losses after displacement (See [Madden, 1987](#); [Jacobson, et al., 1993](#); [Crossley, et al., 1994](#)) while later studies have found the opposite result ([Kletzer and Fairlie, 2003](#)). [Hu and Taber \(2011\)](#) find similar wage loss for men and women after plant closure. Further, there is no agreement on the mechanism that generates differential outcomes.⁸ From this literature little is known about whether job search processes are different between men and women.⁹

Previous research on displacement that has compared data from North America with data from Europe has found striking cross-country differences.¹⁰ North American studies find that displaced workers tend to experience large and fairly persistent wage losses after displacement. In contrast, European studies find relatively small declines in wages and that workers transit relatively quickly to a new job. However, to the best of our knowledge, no study compares the experience of European men and women who have been displaced.

3. The data

Our data on displaced workers come from the Institut für Arbeitsmarkt und Berufsforschung Sample (IABS) data for the period 1975–2001. We focus on West-Germany. The IABS is a two percent random sample of individuals drawn from the administrative data for the social security insurance program in Germany. The complete social security data are maintained by the German Federal Bureau of Labor and contain information for all workers who have at least one employment spell that is covered by the German social security system, which is approximately 80% of all workers in Germany in this

⁶ There are several papers that incorporate taste based employer discrimination into an equilibrium search model, e.g. [Rosén, 2003](#) and [Flabbi, 2010](#). Also [Sasaki \(1999\)](#) models job search in a world with co-workers discrimination. However, none of these papers models search as a function of worker demographics, such as age, which is one of the focuses of our empirical analyses.

⁷ [Azmat, et al. \(2006\)](#) have looked at cross-country variation in gender gap in unemployment rates. Their conclusion is that differential outcomes are mainly driven by gender differences in human capital. [Swaim and Podgursky \(1994\)](#) have analyzed female labor supply employing a duration model.

⁸ These conflicting results are somewhat puzzling because all of the studies use data for the U.S. with exception of one study which is based on Canadian data. All studies for the U.S. rely on the Displacement Worker Sample (DWS) supplements to the Current Population Survey (CPS) with the exception for [Kletzer and Fairlie \(2003\)](#) using the National Longitudinal Survey of Youth (NLSY), 1984–1993, and [Jacobson et al. \(1993\)](#) using employer–employee matched data for Pennsylvania.

⁹ [Crossley, et al. \(1994\)](#) have suggested that gender differences in job search are important but have not empirically examined whether such difference exist. [Hu and Taber \(2011\)](#) focus on a model with asymmetric information and heterogeneous human capital.

¹⁰ See the articles in [Kuhn \(2002\)](#).

³ See the articles in [Kuhn \(2002\)](#) for some exceptions to this statement.

⁴ For a cross-gender comparison of the search behavior based on U.S. data see our companion paper [Kunze and Troske \(2009\)](#).

⁵ Search intensity is exogenous.

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